20 True or False

Decide, then check the answer and reason below each statement.

Question 1

RBI's Scale-Based Regulation framework for NBFCs became effective from 1 October 2022.

TRUE

SBR was issued in October 2021 and took effect from 1 October 2022.

Question 2

Under Scale-Based Regulation, NBFCs are classified into four layers: Base, Middle, Upper and Top.

TRUE

The SBR pyramid has exactly four layers with regulation intensifying up the pyramid.

Question 3

NBFCs are permitted to accept demand deposits in the same way as scheduled commercial banks.

FALSE

NBFCs cannot accept demand deposits and are outside the payment and settlement system.

Question 4

The NBFC Top Layer is intended to remain empty under normal circumstances.

TRUE

An NBFC moves to the Top Layer only if RBI judges a substantial rise in systemic risk from an Upper-Layer entity.

Question 5

Scale-Based Regulation relaxed the NBFC NPA norm from 90 days overdue to a more lenient 180-day standard.

FALSE

SBR tightened the norm the other way, moving NBFCs from a relaxed 180-day rule to the 90-day standard used by banks.

Question 6

All NBFCs, regardless of which SBR layer they sit in, must get listed within three years of RBI identification.

FALSE

Mandatory listing within three years applies specifically to Upper-Layer NBFCs, not to every NBFC.

Question 7

Deposits placed with deposit-taking NBFCs are not covered by DICGC insurance.

TRUE

Unlike scheduled commercial bank deposits, NBFC depositors do not enjoy DICGC insurance cover.

Question 8

The NBFC Base Layer includes all deposit-taking NBFCs, irrespective of their asset size.

FALSE

All deposit-taking NBFCs sit in the Middle Layer, not the Base Layer, regardless of size.

Question 9

The NBFC-Investment and Credit Company category was created in 2019 by merging the Asset Finance, Loan and Investment Company categories.

TRUE

This 2019 merger consolidated three older activity-based NBFC categories into NBFC-ICC.

Question 10

An NPA account upgraded to standard status only requires the borrower to clear the single overdue instalment.

FALSE

RBI's November 2021 clarification requires clearing all arrears of interest and principal, not just the overdue instalment.

Question 11

Core Investment Companies must hold at least 90 percent of their net assets in the equity and debt of group companies.

TRUE

This high concentration in group company holdings is a defining feature of a CIC.

Question 12

Housing Finance Companies were brought under RBI regulation from the National Housing Bank in 2019.

TRUE

HFCs shifted from NHB to RBI oversight in 2019 and are now treated as an NBFC category.

Question 13

Under SBR, the minimum Net Owned Fund for most NBFC-ICCs, MFIs and Factors is being raised to Rs 10 crore through a phased glide path.

TRUE

The glide path reaches Rs 10 crore by March 2027, with interim milestones in 2025 and 2026.

Question 14

Infrastructure Finance Companies are required to deploy only about 50 percent of their assets in infrastructure loans.

FALSE

IFCs must deploy at least 75 percent of assets in infrastructure loans, not 50 percent.

Question 15

The minimum capital adequacy requirement for NBFCs is a CRAR of at least 15 percent, with Tier-I capital of at least 10 percent.

TRUE

This capital adequacy floor applies broadly to NBFCs under the current framework.

Question 16

NBFCs form part of India's payment and settlement system in the same way as scheduled commercial banks.

FALSE

NBFCs are explicitly outside the payment and settlement system, unlike banks.

Question 17

Deposit-taking NBFCs can accept deposits up to 1.5 times their Net Owned Fund, with tenure restricted to 12 to 60 months.

TRUE

This deposit cap and tenure restriction applies to rated deposit-taking NBFCs.

Question 18

NBFC-MFIs primarily provide large, collateral-backed loans to high-income corporate borrowers.

FALSE

NBFC-MFIs actually lend small, mostly collateral-free loans to low-income households.

Question 19

At least the top ten NBFCs by asset size are always placed in the Upper Layer of the SBR framework.

TRUE

The Upper Layer always includes at minimum the ten largest NBFCs by asset size, plus any others RBI's scoring flags.

Question 20

NBFCs classify a loan as an NPA as part of a month-end or quarter-end batch process rather than on the exact overdue date.

FALSE

RBI's November 2021 circular requires day-end NPA classification on the exact date an account turns overdue beyond 90 days.